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CURRENT OUTLOOK FOR SOVIET AGRI. OUTPUT

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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

6 February 1975

MEMORANDUM FOR: [REDACTED]
William N. Morell, Jr.
Special Assistant to the Secretary
of Treasury
Department of the Treasury

SUBJECT : Current Outlook for Soviet Agricultural
Output and Trade

[REDACTED]
Attached is our latest analysis on Soviet agricultural
output and trade, as requested by John MacCracken. Also
requested was an update of the 22 January 75 EIW article on
US-Soviet trade; we have no additional information.

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Chief,
USSR/Eastern Europe Division
Office of Economic Research

Attachment:
As stated

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CURRENT OUTLOOK FOR SOVIET GRAIN OUTPUT AND TRADE

Prospects remain good for a record winter grain harvest. During late January snow fell over much of the western and southern half of the winter grain area, at least temporarily averting the danger that several days of extremely cold temperatures (below 0° F) would cause substantial winterkill. The crop will be vulnerable through March, however. Winter grain usually constitutes about one-third of the total Soviet grain crop.

If average weather conditions prevail through the rest of the growing and harvesting season, the grain harvest will exceed domestic and export requirements for 1975, which are estimated at around 210 million tons. This would not preclude the import of specific types of grain. Some high-quality milling wheat and corn for the ambitious Soviet livestock program might be purchased even in good harvest years if prices are attractive. The president of a large US grain exporting company who meets regularly with the Soviets believes that they will "normally" buy 4-6 million tons of corn and "periodically" buy 1-3 million tons of wheat barring serious crop shortfalls.

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The recent cancellation of 200,000 tons of US wheat and the resale of 95,000 tons of Argentine wheat seem to have been largely motivated by price changes. The Argentine wheat, bought several years ago at a low price, was sold at a healthy profit. The price paid for the US wheat last October, on the other hand, no longer looks attractive as world wheat prices have fallen 20%.

The cancelled grain represents only 4% of the almost 7 million tons of wheat and corn originally contracted for delivery this fiscal year. A major portion was bought to meet Soviet grain requirements and avoid the use of Soviet reserve stocks, since the 1974 grain harvest was below Soviet expectations. Recently released Soviet statistics confirm the disappointing harvest -- wheat production was the smallest since 1969 and the corn harvest was 10% below the previous year, despite a 12% increase in acreage. The Soviets are still trying to buy corn. They attempted to switch the 200,000 tons of US wheat for corn but so far have succeeded in getting only half approved by USDA.

A small part of total imports probably represented a hedge against a poor harvest and tight world supplies in 1975. The Soviets apparently now feel that they can afford to part with this cushion because of good prospects for winter grain and declining world grain prices.

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